

Genex Power Ltd (GNX \$0.29) Speculative Buy

Analyst	Date	Price Target
Jon Bishop	03 rd /04/2017	\$0.54/sh

Stage 2 Development Approved; Financial Close Progressing

Key Points

- GNX has received Development Approval from the local Shire for Stage 2 of the Kidston Solar and Pumped Hydro development;
- The Company is in advanced negotiations regarding finalising debt funding for Stage 2 with a select group of partners: Full financial close expected Dec H, CY 2018;
- Debt terms are expected to be finalised shortly and NAIF funding is likely pending;
- We expect offtake/Power Purchase Agreements shortly thereafter;
- We note Japanese utilities have been noted by the press to be showing keen interest in Kidston: https://www.inframationnews.com/new..._campaign=infraasia-daily-briefing-22-03-2018;
- Stage 2 completion underpins a 10x uplift in forecast EBITDA equating to an est. EV:EBITDA of 6x by FY'22.
- Peer multiples are closer to 12x whilst Pacific Hydro and Duet transactions capitalised future earnings at 15x: this is the ultimate strategy.

Investment Case

Genex Power Ltd (ASX: GNX) is an emerging renewable energy power generator. Its Kidston Renewable Power Hub in far north Queensland is the location of a two-stage solar farm (50MW Stage 1 due end CY'17; 270MW Stage 2 – CY'19) as well as a 250MW Pumped Hydro power storage solution. Designed to meet peaking electricity demand, GNX's current timelines encourage us that they are well placed meet rising electricity prices. GNW should also benefit from Federal Government policy and economic incentives, via 'green certificates', to drive investment in grid scale, environmentally friendly electricity generation. A guaranteed revenue base, low borrowing costs and generous financing terms, combined with retained exposure to peak pricing will provide a stable, defensible recurring earnings base with considerable upside potential. Longer term, with astute financial engineering, we view that GNX's Kidston portfolio will be of increasing attraction to infrastructure funds and/or large utilities. We retain a Speculative Buy recommendation, with a Price Target of \$0.54/sh.

Genex Power Ltd (GNX)

Share Price	0.29	A\$/sh	Enterprise Value	187	A\$/m
Price Target	0.54	A\$/sh	Debt	105	A\$/m
Valuation	0.54	A\$/sh	Cash	8	A\$/m
Shares on issue	288	m(dil)	Largest Shareholder	Zhefu Hydro	13.3%
Market Capitalisation	91	A\$m			

Euroz Securities Limited

Stockbrokers

Participant of the ASX Group

Authorised to provide financial services

ACN 089 314 983 AFSL 243302

Disclaimers

Important Disclaimers apply to this Quick Comment report - Please go to the link below and ensure that you've read and understood the Disclaimers. If you have any questions about these Disclaimers please speak to your adviser.

[Link to Quick Comment Disclaimers](#)